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C O N F I D E N T I A L TOKYO 002268

SIPDIS

TREASURY FOR JENNIFER FOWLER

E.O. 12958: DECL: 09/28/2019

TAGS: [ECON](#) [EFIN](#) [ETTC](#) [KNNP](#) [PREL](#) [PARM](#) [KS](#) [JA](#)

SUBJECT: AMBASSADOR GOLDBERG'S VISIT: MOF EMPHASIZES GOJ'S VIGOROUS IMPLEMENTATION OF UNSC RESOLUTIONS ON NORTH KOREA

REF: A. A. TOKYO 1991

- [1B.](#) B. TOKYO 1994
- [1C.](#) C. TOKYO 1995
- [1D.](#) D. TOKYO 1996
- [1E.](#) E. TOKYO 2078

Classified By: DCM James P. Zumwalt for reasons 1.4 (b) and (d).

[¶1.](#) (C) SUMMARY: UNSCR 1874 Implementation Coordinator Ambassador Philip Goldberg said the goal of the recent U.S. Advisory relating to UNSCR 1874 was to bring transparency to North Korean financial activities in an August 26 meeting with Ministry of Finance (MOF) Director-General Takehiko Nakao and other government of Japan (GOJ) officials. He praised Japanese financial measures against North Korea, and noted that Japan could play a leadership role by influencing regional countries to take similar proactive measures. Nakao said the GOJ was considering whether to designate Kwangson Bank. He continued that Japan's implementation of UNSC resolutions relating to North Korea has been careful and vigorous, noting other designations GOJ has made under various UNSC resolutions. Nakao and other GOJ officials explained that Japan had cut almost all economic ties to North Korea except remittances (particularly cash), and even these have declined significantly in the past five years to total less than USD 1 million in 2009. END SUMMARY.

[¶2.](#) (C) In an August 26 meeting with MOF International Bureau Director-General Takehiko Nakao, Research Division Director Takeshi Kurihara, International Coordination Office Director Jun Mizuguchi, Special Officer for Research on Foreign Exchange Transactions Wataru Kikuchi, Legal Office Section Chief Yuka Kunisato, and Financial Services Agency (FSA) Supervisory Bureau, Market and Risk Director Tomoko Amaya; UN Security Council Resolution (UNSCR) 1874 Implementation Coordinator Ambassador Philip Goldberg said that after the resolution was passed, the U.S. Government issued an Advisory to U.S. banks to be cautious, and to "take a second look" with respect to transactions that may involve North Korean entities. Goldberg continued that the goal was to bring transparency to North Korean financial activities.

[¶3.](#) (C) Goldberg explained that the U.S. had recently unilaterally designated Kwangson Banking Corporation for its dealing with entities that the UNSCR 1718 Sanctions Committee has designated.

[¶4.](#) (C) Goldberg praised Japanese financial measures against North Korea as complete and comprehensive, noting that Japan is well beyond the implementation requirements specified in UNSCR 1874. He said that the U.S. would be pleased if Japan would take action against Kwangson Banking Corporation,

continuing that Japan could also be influential in the region in convincing other nations to take similar proactive financial measures against North Korea.

GOJ Designations

¶ 15. (C) Nakao said the GOJ is currently considering whether or not to designate Kwangson Banking Corporation. He continued that when he was recently posted in Washington, he had been in regular contact with Treasury Under Secretary for Terrorism and Financial Intelligence Stuart Levey, and Treasury Deputy Assistant Secretary for Terrorist Financing and Financial Crimes Daniel Glaser on the Banco Delta Asia case, which was an important effort and had been effective against North Korea. He continued that Japan has implemented UNSCR resolutions carefully, and vigorously.

¶ 16. (C) Kurihara explained that under UNSCR 1695, 1718 and 1874, Japan has designated 26 individuals or entities from 2006 to the present. For example on July 24, 2009, under UNSCR 1874, MOF designated five entities and five individuals. Amaya added that shortly thereafter, FSA issued a directive to Japanese banks to exercise special vigilance against transactions related to North Korea.

China

¶ 17. (C) Goldberg said that China has been politically supportive, but that the jury is still out on how vigorously it will implement UNSCR 1874. He explained that with its economic and political influence, China plays a central role. He continued that China backed passage of UNSCR 1874, but that some information since provided to China on individuals and entities with ties to North Korea has not yet been acted upon. On the other hand, coordination with China on the Kang Nam 1 incident was good.

Remittances

¶ 18. (C) Goldberg noted that due to increased scrutiny, North Korea has been using cash for transactions. Nakao explained that Japan has already stopped all direct travel, all trade, all direct bank transactions, and almost all other transactions with North Korea, except for remittances of carried cash and bank transfers through third countries. He reported that remittances of declared carried cash have declined 98 percent, from a 2005 high of JPY 2.8 billion (USD 29.1 million) to a low of JPY 63 million (USD 662,000) in ¶ 2009. In addition, remittances by declared bank transfer (through third countries) have declined 86 percent from a 2005 high of JPY 280 million (USD 3 million), to a low of JPY 15 million (USD 158,000) in 2007, with a 40 percent up-tick to JPY 21 million, (USD 221,000) in 2009. Nakao said that one explanation for the remaining part of bank transfers may result from Japanese telephone companies paying their counterparts in North Korea for international telephony costs.

¶ 19. (C) Kurihara said that Japanese banks have been vigilant, and UNSCR 1874 has provided a legal basis for banks to require their clients to have a license for any transactions via third countries with North Korea. He commented that the GOJ has essentially prohibited transactions with North Korea by denying this license. Amaya added that although UNSCR 1874 language is broad, that has not hindered GOJ's implementation efforts and that absent goods imports and exports, Japanese banks have in fact had very little involvement with North Korea. She emphasized that Japanese banks have no direct relationships with North Korean banks. The relatively small and infrequent indirect transactions are handled through third country banks possibly in Europe. Fowler asked for clarification on the manner of these third

country transfers and MOF promised to clarify shortly.

¶10. (SBU) Ambassador Goldberg cleared this cable.
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